ITUTHUKO ENZINZILEKO

THEMBISILE HANI LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2019

Audited
By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

General Information

Mayoral committee	
Executive Mayor	Cllr Mtsweni Nomsa Sanny
Speaker	Cllr Mabena Thomas Lebandla
	Cllr Hlope Nompumelelo Evidence (Resigned)
Chief whip	Cllr Tau Joyce Johanna
Members of Executive Committee	Cllr Tshabangu Lillian Martha
	Cllr Mtweni Xolani Lucky
	Cllr Msiza Maria Poppy
	Cllr Makhwiting Theletji James
	Cllr Phakathi Nomasonto Emmah
Councillors	Cllr Mahlangu Amos
	Cllr Mampuru Dipolelo Sinah
	Cllr Makatu Pheneus Doctor
	Cllr Motena Mitopie Andries
	Cllr Ngoma Sipho Koos
	Cllr Jiyane Koos Vusi
	Cllr Mahlangu Moses Michael
	Cllr Mabena Mbebenzi Ben (Deseased)
	Cllr Mthimunye Joseph Elias
	Cllr Nobela Maria Truddy
	Cllr Mnisi Sgaule Timothy
	Cllr Masango Sipho
	Cllr Mahlangu Christinah Ndlelehle
	Cllr Msiza James Simausu
	Cllr Madyungu Alexcious Sphiwe
	Cllr Mahlangu Josephinah Lindiwe
	Cllr Mogoboya Samuel Bongani
	Cllr Sikosana Mzwandile Obed
	Cllr Masango Seisiwe Jack
	Cllr Mnguni Maria Qhubeni
	Cllr Ngoma Norman
	Cllr Malefo Nimrod Boitumelo
	Cllr Msibi Bongani Victor
	Cllr Fakude Dumisani Chrescent
	Cllr Mahlangu Jan Sizwe
	Cllr Nduli Masotja Petrus
	Cllr Skosana Dini Samson
	Cllr Msiza Khulise April
	Cllr Mahlangu Patrick Vusi
	Cllr Mahlangu Gideon
	Cllr Skosana Vusimuzi Vincent
	Cllr Mabelwane Oria Mpheto
	Cllr Mashinini Thabisile Elsie
	Cllr Mathibela Emelinah Mavis
	Cllr Skosana Lindiwe Thembi
	Cllr Motanyane Thokozile Egnes
	Cllr Jiyane Laza Elsie
	Cllr Msiza Marcia
	Cllr Maseko Zanele
	Cllr Nhlapho Sonto Rose

General Information

Cllr Msiza Nomatjeni Nellie
Cllr Kekana Piet Thapelo
Cllr Molefe Remenky Stephinah
Cllr Boshego Steven (Resigned)
Cllr Dhlamini Alicia Lebohang
Cllr Msibi Vusi Amos
Cllr Skosana Erick John
Cllr Masilela Toenkie Linah
Cllr Mokwena Maria Adelaide
Cllr Tibane Thabo John
Cllr Mashaba Mqosh Paulus (Resigned)
Cllr Mokolo Lucas Matalanyane
Cllr Mahlangu Nompumelelo
Cllr Mtsweni Rubber Qaliwe
Cllr Makhubela Jan Masaka

General Information

Audit committee members	
Chairperson	Mrs FJ Mudau
Members	Mr L Langalibalele
	Ms J Masite
	Mr M Mathabathe
	Mr J Modiga
Grading of local authority	Grade 4
Accounting Officer	Mr ON Nkosi
Chief Finance Officer (CFO)	Ms JG Mahlangu
Business address	24 Kwaggafontein C Kwaggafontein 3100
Postal address	Private Bag X4041 Empumalanga 0458
Bankers	Nedbank
Auditors	AGSA - Mpumulanga
Telephone number	013 986 9100
Fax number	013 986 0995
Web	www.thembisilehanilm.gov.za

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2019 -11- 30
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Mpumalanga Business Unit

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Accounting Officer's Responsibilities and Approval	5
Report of the Audit and Performance Committee	6 - 9
Accounting Officer's Report	10 - 11
Statement of Financial Position	12
Statement of Financial Performance	13
Statement of Changes in Net Assets	14
Cash Flow Statement	15
Statement of Comparison of Budget and Actual Amounts	16 - 19
Accounting Policies	20 - 50
Notes to the Annual Financial Statements	51 - 88
Appendixes:	
Appendix : Unaudited Municipal Finance Management Act	89

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Intitute of Government Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Municipal Grant
EPWP	Expanded Public Works Program Grant
PSI	Product, Sales and Inventory
PBO	Projected Benefit Obligation

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The financial statements set out on pages 10 to 81, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2019 and were signed on its behalf by:

Mr Oscar Nkosi
Accounting Officer

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2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Report of the Audit and Performance Committee

ANNUAL REPORT OF THE AUDIT AND PERFORTMANCE COMMITTEE (REPORT FROM THE ACTING CHAIR OF AUDIT AND PERFORMANCE COMMITTEE)

We are pleased to submit the report of the Audit Committee for the year ended 30 June 2019

1. Background

Thembisile Hani Local municipality amongst other local municipalities is under Nkangala DistrictShared audit and performance committee, The Audit committee was established in terms of section166 of the Municipal Finance Management Act (MFMA), Act 56 of 2003. The Audit committee hasadopted its terms of reference.

Statutory requirements

Section 166 of the MFMA stipulates that each municipality must establish an Audit committee.

The Audit committee is an independent advisory body that advises council, political office bearers,accounting officer, and the staff of the municipality on the following

* Internal financial control and internal audit;
* Risk management;
* Accounting policies
* The adequacy, reliability and accuracy of financial reporting and information;
* Performance management;
* Compliance with the MFMA, the Division of Revenue Act (DORA) and any other applicablelegislation;
* Performance evaluation
* Any other issues referred to it by the municipality;
* Review annual financial statements so as to provide authoritative and credible view of thefinancial position, on overall compliance with MFMA,DORA, ect
* Respond to Council on any matter raised by the Auditor- General (AGSA); and
* Carry out such investigation into financial affairs of the municipality as may be prescribed

2. Attendance of meetings

Name of the member	Ordinary meetings	Performance meetings	Total	Attendance
Mrs. FJ Muda (Chairperson)	4	4	8	7
Mr. L Langalibalele (Member)	4	4	8	6
Mr. M Mathabathe (Member)	4	4	8	7
Ms J Masite (Member)	4	4	8	6
Mr, J Modiga (Member)	4	4	8	7

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Report of the Audit and Performance Committee

The following although not members of the Audit and Performance Committee, have standing invitation to Audit and Performance committee meetings:

* The Accounting Officer;
* The Chief Financial Officer;
* The chairperson of the Risk committee
* The Section 56 Managers/Departmental Heads
* Chief Risk Officer
* The Auditor- General
* The National Treasury
* Mpumalanga Provincial Treasury
* Internal Audit (Secretariat function)

3. Internal Audit

The internal audit of Thembisile Hani Local Municipality is in-house and has discharge its mandate interms of its charter and managed to execute all projects for 2018/19 financial year. The Audit andPerformance Committee would like to commend the Council and management for the dedication instrengthening the Corporate Governance.

The Audit and Performance Committee is of the opinion that Internal Audit unit is operating effectively to meet its mandate and has considered the risk pertinent to the municipality in its audit plans. The following documents were approved by the Audit Committee and performance committee and recommended to Council for adoption

* Internal Audit charter
* Internal Audit methodology
* Three year rolling strategic and Annual Audit Plan
* Combined Assurance framework

The following projects of Thembisile Hani Local Municipality were implemented by Nkangala District Municipality:

* Supply Chain Management Audit (SCM)
* Information, Communication and Technology (ICT)

4. Effectiveness of Internal controls

The system of internal control was not entirely effective during the year under review as compliance with prescribed policies and procedures were lacking in certain instances and this was evident with the investigation of irregular expenditure that was conducted by the Council during the year under review.

The following Internal audit reports are among others that were presented to the Audit Committee

* Audit of quarterly performance information;
* Compliance;
* Audit of draft annual financial statements;
* Follow up fleet management audit;
* Follow up LED;

Report of the Audit and Performance Committee

* Follow up labour;
* Safety and Security;
* Recruitment, skills audit
* Follow up land and housing
* Risk Management
* Review of interim financial statement
* Follow up water and sanitation audit
* Revenue management audit
* SCM audit (NDM)
* Roads and Electricity audit
* Assets Management audit

*ICT audit (NDM)

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There has been improvement by management in responding to internal audit reports and this can be attributed to measures that have been implemented by the Accounting officer. Audit committee has also urged management to draw up action plan to address issues raised by the Auditor- General in the management letters and audit report and to ensure that all matters raised by the Auditor General are resolved by Management.

5. Risk Management

The municipality has an effective risk unit that consist of two staff members and Risk management, anti-fraud and anti-corruption committee that is chaired by the chairperson of Risk management, anti-fraud and anti-corruption.

Four (4) risk committee meetings were held for the year under review

The following policies were reviewed

* Risk Management strategy
* Risk Management policy
* Whistle blowing policy
* Fraud Prevention Plan and Fraud Prevention policy
* Risk Management Anti-corruption and Anti-fraud risk charters
* Fraud prevention plan and fraud prevention policy
* Risk appetite and Tolerance Frame work
* Gift Policy

6. Performance Management

The Audit committee has reviewed the Annual Performance Information report in the meeting held on the 29 August 2019 and further noted that the overall institutional performance has declined from the previous year institutional performance of 2017/18.

Report of the Audit and Performance Committee

7. Evaluation of draft annual financial statements

The Audit and Performance Committee, on its meeting held on the 29 August 2019 to discuss the draft annual financial statements and unaudited annual report with the Management at large, before submitting to the Auditor General.

The Audit committee wishes to indicate that it performed a review on the draft financial statements focusing among others:

* Significant financial reporting adjustments and estimates contained in the Annual FinancialStatements
* Alignment of Closing and Opening balances
* Clarity and completeness of disclosures has been set properly
* Quality and acceptability of and any changes in accounting policies and practice.
* Significant adjustments arising from the audit
* Reasons for major year to year fluctuations

The Audit and Performance Committee encourages management to consider inputs made during its review to ensure complete, reliable and accurate reporting

8. Conclusion

The Audit and Performance Committee acknowledges the co-operation and assistance by the Nkangala District Municipality for coordinating the activities of the Committee. We also acknowledge the commitment of the Accounting Officer and management of Thembisile Hani Municipality in strengthening corporate governance.

The Audit and Performance Committee further acknowledge the commitment and the foundation on good governance that has been laid by Honorable Executive mayor Councillor N Mtsweni her Council and further express gratitude to the Chief Audit Executive, Mr. A Malope and his staff for the support and commitment to the work of the Audit and Performance Committee. The Chairperson of the Audit and performance committee remain confident that all matters that have been raised by the Internal Audit and Auditor General are receiving due consideration and intervention. We are committed to fully execute our oversight function to strengthening corporate governance.

30/08/2019

Mr. F Mudau

Date

Chairperson of Audit committee

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Auditor General South Africa
Mpumalanga Business Unit

Accounting Officer's Report

The accounting officer submits his report for the ended 30 June 2019.

1. Introduction

The Accounting officer is required in terms of section 126(1)(a) to prepare annual financial statements of the municipality and, within two months after the end of the financial year to which those financial statements relate, submit to the Auditor General for auditing purposes.

This report seeks to provide a high level overview of the key highlights of issues contained in this set of financial statements. It will reflect high level challenges that have had an impact on the preparation of the statements and also provide high level remedial action taken to adress those challenges.

2. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements.

Net surplus of the municipality was R 16 501 400 (2018: surplus R 81 136 662)

The process of preparing for the submission of the AFS that relates to the 2018-2019 financial year that ended on the 30th of June 2019, began in earnest immediately after the receipt of the Auditor's General 's report that relates to the financial year that ended on the 30th of June 2018. The municipality was able to prepare an Audit Action Plan that was used to have a plan of action to adress Issues raised by th AG in the previous audit, such that they don't recur in the following financial year where possible. This Audit Action Plan was used as a montoring tool by management and it was reviewed on a monthly basis.

The municipality was also able to prepare a set of interim financial statements in February 2019. Management also established a committee that dealt with all matters incidental to preparation of a credible set of financial statements and to also deal with prelimenary issues that could affect the 30 June 2019 financial statemennts. This committee had a schedule of meetings that required it to meet and it was chaired by the MM or the Acting CFO.

The accounting officer was able to sumbit a set of draft financial statements to the internal Auditor and the Audit Committee by the 27th August 2019 for review by the Audit Committee and the internal assurance providers before submission to the AG.

The execution of these activities required to be driven by an appointed CFO who should have been advising the Accounting Officer on these and other financially related activities required by the MFMA. It is common course that the municipality has operated without a full time CFO since the end of October 2017 following the resignation of the previous CFO who has been with the municipality for a period less than two years as well. The instibality in this critical post has made it even more difficult to ensure a smooth process towards the preparation and the submission of the AFS

Council took a resolution and appoint a permanent CFO by the 1st May 2019.

3. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 1 967 490 628.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial .

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Accounting Officer's Report

6. Accounting Officer

The accounting officer of the municipality during the and to the date of this report is as follows:

Name	Nationality
Mr Oscar Nkosi	South Afreica

Statement of Financial Position as at 30 June 2019

Figures in Rand		2019	2018 Restated*
Assets			
Current Assets			
Inventories	6	51 173 203	56 262 714
Receivables from exchange transactions	7&10	8 731 499	34 681 354
Receivables from non-exchange transactions	8&10	3 526 559	13 102 634
VAT receivable	9	3 567 975	14 875 546
Cash and cash equivalents	11	94 283 345	56 774 813
		161 282 581	**175 697 061**
Non-Current Assets			
Property, plant and equipment	3	1 974 439 576	1 882 170 808
Intangible assets	4	1 078 085	1 078 085
		1 975 517 661	**1 883 248 893**
Total Assets		**2 136 800 242**	**2 058 945 954**
Liabilities			
Current Liabilities			
Finance lease obligation	12	4 127 394	-
Payables from exchange transactions	15	61 708 026	47 667 204
Unspent conditional grants and receipts	13	17 542 483	-
Provisions	14	3 261 618	2 889 460
Employee benefit obligation - current portion	5	284 000	607 000
		86 923 521	**51 163 664**
Non-Current Liabilities			
Finance lease obligation	12	7 976 305	-
Employee benefit obligation	5	8 536 000	7 396 000
Provisions	14	21 791 817	19 373 024
Non-current portion of payables from exchange transactions	15	44 081 971	38 703 585
		82 386 093	**65 472 609**
Total Liabilities		**169 309 614**	**116 636 273**
Net Assets		**1 967 490 628**	**1 942 309 681**
Accumulated surplus		1 967 490 628	1 942 309 681

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By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

* See Note 43 & 42

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	92 794 583	131 988 408
Rental of facilities and equipment	18	1 080 424	1 024 062
Other income	21	2 234 216	1 803 473
Interest received	22	50 763 103	55 810 499
Gain on non-current assets held for sale or disposal groups		20 755	-
Total revenue from exchange transactions		**146 893 081**	**190 626 442**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	42 287 013	42 764 437
Transfer revenue			
Government grants & subsidies	24	538 709 517	524 299 000
Licences and permits	25	8 196 388	2 664 713
Donations received	26	7 286 549	48 414 095
Fines, Penalties and Forfeits	19	17 610 950	6 205 490
Total revenue from non-exchange transactions		**614 090 417**	**624 347 735**
Total revenue	16	**760 983 498**	**814 974 177**
Expenditure			
Employee related costs	27	(131 696 525)	(117 171 484)
Remuneration of councillors	28	(24 177 583)	(23 401 130)
Depreciation and amortisation	29	(70 798 079)	(86 116 327)
Finance costs	30	(491 953)	(486)
Lease rentals on operating lease	20	(921 614)	(1 626 964)
Debt Impairment	31	(224 532 658)	(96 400 322)
Bulk purchases	34	(142 097 317)	(143 761 013)
Prescription: Consumer debtors written off	33	-	(135 439 513)
Inventories losses/write-downs		(197 222)	-
Gain/(Loss) on non-current assets held for sale or disposal groups		(20 755)	(281 219)
Amnesty: Consumer debtors written off	32	(4 434 561)	(1 925 673)
General Expenses	35	(145 134 586)	(127 713 384)
Total expenditure		**(744 502 853)**	**(733 837 515)**
Surplus for the		**16 480 645**	**81 136 662**

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By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

* See Note 43 & 42

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Balance at 01 July 2017	**207 577 507**	**1 657 315 270**	**1 864 892 777**
Changes in net assets			
Surplus for the	-	81 136 662	81 136 662
Receivables from non-exchange transactions	-	(1 417 950)	(1 417 950)
Payables from exchange transactions	-	6 630	6 630
Revaluation reserve write back	(207 577 507)	207 577 507	-
Inventory Land held for sale	-	3 742 297	3 742 297
PPE	-	(6 203 552)	(6 203 552)
Cash and bank - Interest	-	152 817	152 817
Total changes	-	284 994 411	284 994 411
Restated* Balance at 01 July 2018	-	**1 942 309 681**	**1 942 309 681**
Changes in net assets			
Surplus for the	-	16 480 645	16 480 645
VAT - Output (Cash basis vs accrual basis)	-	11 718 632	11 718 632
Payables from exchange transactions: licence fees	-	(1 244 632)	(1 244 632)
Receivables from non- exchange transactions	-	(1 773 698)	(1 773 698)
Total changes	-	25 180 947	25 180 947
Balance at 30 June 2019	-	**1 967 490 628**	**1 967 490 628**
Note(s)		42&43	

* See Note 43 & 42

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
VAT refund		54 037 180	43 122 993
Sale of goods and services		11 287 719	10 871 244
Grants		538 709 517	524 299 000
Interest income		6 248 433	8 442 204
Other receipts		9 747 558	11 693 256
		620 030 407	598 428 697
Payments			
Employee costs		(156 509 950)	(131 722 376)
Suppliers		(261 302 985)	(297 428 873)
Finance costs		(133 933)	(486)
		(417 946 868)	(429 151 735)
Net cash flows from operating activities	37	**202 083 539**	**169 276 962**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(164 949 725)	(182 088 525)
Proceeds from sale of property, plant and equipment	3	374 718	-
Net cash flows from investing activities		**(164 575 007)**	**(182 088 525)**
Net increase/(decrease) in cash and cash equivalents		**37 508 532**	**(12 811 563)**
Cash and cash equivalents at the beginning of the year		56 774 813	69 586 376
Cash and cash equivalents at the end of the year	11	**94 283 345**	**56 774 813**

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By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

* See Note 43 & 42

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	155 104 159	14 761 841	**169 866 000**	92 794 583	**(77 071 417)**	The difference on the service charges was caused by the free basic water which was debited against the Service Charges
Rental of facilities and equipment	497 955	457 599	**955 554**	1 080 424	**124 870**	More revenue was collected than anticipated because more uses rented the facilities
Other income - (rollup)	1 637 370	(62 370)	**1 575 000**	2 234 216	**659 216**	Less revenue was anticipated because of non payment of servies by consumers
Interest received	42 813 663	5 939 907	**48 753 570**	50 763 103	**2 009 533**	More money was invested with intermediaries than anticipated and also more interest were charged on consumer account because of less payment made on accounts
Total revenue from exchange transactions	**200 053 147**	**21 096 977**	**221 150 124**	**146 872 326**	**(74 277 798)**	

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By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	44 492 339	(30 945 073)	**13 547 266**	42 287 013	**28 739 747**	More revenue was collected than anticipated because of the correction done on the comsumers accounts and also there was a retrospective billing which run on those conumers accounts.
Transfer revenue						
Government grants & subsidies	538 752 000	17 500 004	**556 252 004**	538 709 517	**(17 542 487)**	Less grant was spent than received under WSIG and there is a roll-over application send NT
Licences and permits	-	3 131 000	**3 131 000**	8 196 388	**5 065 388**	More revenue was anticipated on licences and permits because of more renewal of licences and permits by the busines owners
Donations received	-	-	-	7 286 549	**7 286 549**	
Fines, Penalties and Forfeits	79 680 568	(63 127 460)	**16 553 108**	17 610 950	**1 057 842**	Less revenue was collted than anticipated because less tickets were issued by traffic officer than anticipated.
Total revenue from non-exchange transactions	**662 924 907**	**(73 441 529)**	**589 483 378**	**614 090 417**	**24 607 039**	
Total revenue	**862 978 054**	**(52 344 552)**	**810 633 502**	**760 962 743**	**(49 670 759)**	-

Audited
By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure						
Personnel	(153 357 435)	13 240 435	**(140 117 000)**	(131 696 525)	**8 420 475**	Less payments on salaries were made because of vacant posts which were not filled and also because of the alignment of Sage VIP and Munsoft System
Remuneration of councillors	(26 875 896)	633 896	**(26 242 000)**	(24 177 583)	**2 064 417**	The budgeted amount was less than the actual because the projected increase was more than the budgeted amount.
Depreciation and amortisation	(180 345 138)	-	**(180 345 138)**	(70 798 079)	**109 547 059**	More depreciation was incurred than anticipated because of more prior year error corrections done
Finance costs	-	-	-	(491 953)	**(491 953)**	Due to the late payment of creditors
Lease rentals on operating lease	(954 498)	(2 256 111)	**(3 210 609)**	(921 614)	**2 288 995**	Late signing of lease rental on operating lease reulted to the less expenditure
Debt Impairment	(225 588 500)	31 619 200	**(193 969 300)**	(224 532 658)	**(30 563 358)**	
Bulk purchases	(127 673 404)	(9 344 002)	**(137 017 406)**	(142 097 317)	**(5 079 911)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
General Expenses	(211 807 501)	(53 199 115)	**(265 006 616)**	(145 134 586)	**119 872 030**	Less expenditure incured than anticipated because commitments and payments were made than budgeted and also less revenue was collected and resulted to reduction of expenditure
Total expenditure	**(926 602 372)**	**(19 305 697)**	**(945 908 069)**	**(739 850 315)**	**206 057 754**	
Operating surplus		**(63 624 318)**	**(71 650 249)**	**(135 274 567)**	**21 112 428**	**156 386 995**
Inventories losses/write-downs		-	-	-	(197 222)	**(197 222)**
Gain on non-current assets held for sale or disposal groups		-	-	-	20 755	**20 755**
		-	**-**	**-**	**(176 467)**	**(176 467)**
Surplus before taxation	**(63 624 318)**	**(71 650 249)**	**(135 274 567)**	**20 935 961**	**156 210 528**	**-**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(63 624 318)**	**(71 650 249)**	**(135 274 567)**	**20 935 961**	**156 210 528**	**-**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Accounting Policies

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Contingencies

Contingencies recognised in the current required estimates and judgments, refer to note 40 on entity combinations.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	3-5 years
Motor vehicles	Straight line	5-15 years
Office equipment	Straight line	3-5 years
IT equipment	Straight line	3-5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3-5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Accounting Policies

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Interest	Measured at cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Accounting Policies

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accounting Policies

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

Accounting Policies

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of water inventories is assigned using the weighted average cost formula. The+ cost formula for materials and supplies is based on the first-in, first-out (FIFO) basis

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Accounting Policies

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Accounting Policies

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment beneefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality .

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed

Debt written off and provision for debt impairment

The municiality's debt write off procedure include the assesment of all debtors at year end which include amongst other things those who qualify for amnesty in terms of council resolutions and those debts whose debts have prescribed in terms of the Prescription Act. Debts written off are measured at the carrying amount of the debt at year end.

Provision for impairment takes into account the estimates for the recovery of debts at year end and the movement between the provision of last year and the provision for the current year is disclosed in the statement of financial performance as a reliable estimate.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current financial year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Accounting Policies

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.24 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

Accounting Policies

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Value Added Tax (VAT)

The municipality is registered with the South Africa Revenue Services (SARS) for VAT on the cash basis, in accordance with section 15 (2) of the VAT Act (Act. No 89 of 1991).

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

2. New standards and interpretations

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land - General plant	528 902 112	-	528 902 112	528 888 664	-	528 888 664
Machinery and equipment	3 880 533	(3 108 571)	771 962	3 826 232	(2 443 261)	1 382 971
Furniture and office equipment	6 143 445	(4 518 187)	1 625 258	6 182 536	(3 939 192)	2 243 344
Motor vehicles	57 375 111	(42 782 458)	14 592 653	43 162 063	(36 651 048)	6 511 015
IT equipment	5 210 430	(3 309 730)	1 900 700	4 144 634	(2 394 215)	1 750 419
Community	411 147 291	(260 840 518)	150 306 773	411 147 291	(251 547 942)	159 599 349
Libraries	15 915 025	(6 734 549)	9 180 476	10 009 888	(6 473 706)	3 536 182
Solid waste	396 035	(353 184)	42 851	396 035	(346 654)	49 381
Storm water Infrastructure	115 280 555	(48 096 264)	67 184 291	115 143 005	(44 882 764)	70 260 241
Water network - Boreholes	68 033 521	(20 267 679)	47 765 842	68 033 520	(15 856 761)	52 176 759
Sanitation Infrastructure	64 464 088	(38 715 066)	25 749 022	64 464 088	(36 227 656)	28 236 432
Road Infrastructure	1 006 420 150	(621 526 083)	384 894 067	1 000 032 842	(599 715 616)	400 317 226
Water Supply Distribution	537 530 404	(295 280 834)	242 249 570	537 530 403	(286 176 761)	251 353 642
Water Supply Bulk mains	222 196 571	(176 484 049)	45 712 522	222 196 571	(171 633 784)	50 562 787
Pumpstations	14 684 962	(12 368 772)	2 316 190	14 684 962	(11 941 581)	2 743 381
Reservoirs	265 806 483	(85 113 439)	180 693 044	221 298 387	(78 576 478)	142 721 909
Assets under construction	270 552 243	-	270 552 243	179 837 106	-	179 837 106
Total	**3 593 938 959**	**(1 619 499 383)**	**1 974 439 576**	**3 430 978 227**	**(1 548 807 419)**	**1 882 170 808**

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 30 June 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land - Genral plant	528 888 664	-	-	13 448	-	-	-	528 902 112
Machinery and equipment	1 382 971	132 199	(58 850)	-	-	(684 358)	-	771 962
Furniture and office equipment	2 243 344	184 263	(170 617)	63 345	-	(695 077)	-	1 625 258
Motor vehicles	6 511 015	15 934 383	-	-	-	(7 852 745)	-	14 592 653
IT equipment	1 750 419	1 129 063	(145 251)	81 984	-	(915 515)	-	1 900 700
Community	159 599 349	-	-	-	-	(9 292 576)	-	150 306 773
Libraries	3 536 182	5 905 137	-	-	-	(260 843)	-	9 180 476
Solid waste	49 381	-	-	-	(1 503)	(5 027)	-	42 851
Storm water	70 260 241	-	-	55 641	-	(3 131 591)	-	67 184 291
Water network - Boreholes	52 176 759	-	-	-	-	(4 124 656)	(286 261)	47 765 842
Sanitation Infrastructure	28 236 432	-	-	-	-	(2 487 410)	-	25 749 022
Roads Infrastructure	400 317 226	-	-	6 441 295	-	(21 861 985)	(2 469)	384 894 067
Water Supply Distribution	251 353 642	-	-	-	-	(9 104 072)	-	242 249 570
Water Supply Bulk Mains	50 562 787	-	-	-	-	(4 850 265)	-	45 712 522
Pumpstations	2 743 381	-	-	-	-	(427 191)	-	2 316 190
Reservoirs	142 721 909	-	-	44 508 096	-	(6 491 503)	(45 458)	180 693 044
Assets under construction	179 837 106	141 664 680	-	-	(50 949 543)	-	-	270 552 243
	1 882 170 808	**164 949 725**	**(374 718)**	**51 163 809**	**(50 951 046)**	**(72 184 814)**	**(334 188)**	**1 974 439 576**

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 30 June 2018

	Opening balance	Additions	Transfers received	Derecognition : Cost	Transfers	Derecognition : Acc depreciation	Depreciation	Impairment loss	Total
Land - General Plant	528 888 664	-	-	-	-	-	-	-	528 888 664
Machinery and Equipment	1 589 152	281 720	-	(1 295)	-	1 271	(487 875)	(2)	1 382 971
Furniture and office equipment	2 565 443	265 066	4 400	(90 095)	-	51 889	(553 483)	124	2 243 344
Motor vehicles	9 342 980	-	-	-	-	-	(2 831 968)	3	6 511 015
IT equipment	2 122 737	175 001	33 832	(31 360)	-	30 362	(580 034)	(119)	1 750 419
Community	169 531 877	497 718	-	(1 346 991)	-	1 311 486	(10 395 578)	837	159 599 349
Libraries	3 850 378	-	-	-	-	-	(314 196)	-	3 536 182
Solid Waste	54 412	-	-	-	-	-	(5 031)	-	49 381
Storm Water	60 847 865	4 858 591	8 353 085	-	-	-	(3 799 300)	-	70 260 241
Water network - Boreholes	50 018 522	1 642 383	5 040 708	-	-	-	(4 524 854)	-	52 176 759
Sanitation Infrastructure	30 948 685	-	-	-	-	-	(2 712 253)	-	28 236 432
Road Infrastructure	404 684 013	6 056 158	27 411 222	(1 222 392)	-	1 161 643	(37 773 418)	-	400 317 226
Water Supply Distribution	251 058 479	3 382 867	7 559 079	-	-	-	(10 646 783)	-	251 353 642
Water Supply Bulk Mains	46 352 940	9 219 003	-	(2 555 997)	-	2 411 480	(4 864 639)	-	50 562 787
Pump Stations	3 334 172	-	-	-	-	-	(590 791)	-	2 743 381
Reservoirs	136 007 236	12 752 332	-	(42 799)	-	41 272	(6 036 132)	-	142 721 909
Assets under construction	89 842 586	142 957 686	-	-	(52 963 166)	-	-	-	179 837 106
	1 791 040 141	**182 088 525**	**48 402 326**	**(5 290 929)**	**(52 963 166)**	**5 009 403**	**(86 116 335)**	**843**	**1 882 170 808**

Reconciliation of Work-In-Progress 30 June 2019

	Included within Infrastructure	Total
Opening balance	179 837 106	179 837 106
Additions/capital expenditure	140 282 843	140 282 843
Donation	1 381 412	1 381 412
Transferred to completed items	(53 832 928)	(53 832 928)
	267 668 433	**267 668 433**

Figures in Rand	2019	2018

Reconciliation of Work-in-Progress 30 June 2018

	Included within Infrastructure	Total
Opening balance	89 603 600	89 603 600
Additions/capital expenditure	142 240 947	142 240 947
Transferred to completed items	(52 007 441)	(52 007 441)
	179 837 106	**179 837 106**

Other information

Property, plant and equipment: Repairs and maintenance

	2019	2018
Sanitation infrastructure	257 205	877 500
Stormwater	-	944 028
Water network - Boreholes	-	332 370
Water Supply Distribution	264 472	3 624 764
Pump Stations	533 590	4 407 128
Reservoirs	14 494 903	369 726
Roads infrastructure	-	538 048
Machinery and equipment	4 835 410	5 743 435
	20 385 580	**16 836 999**

Maintenance of property, plant and equipment

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 078 085	-	1 078 085	1 078 085	-	1 078 085

5. Employee benefit obligations

Defined benefit plan

The municipality's employee benefit obligation consist of an obligation to pay out a bonus in the year of the employee attaining the required service. The obligation represents a liability to the municipality and the value is represented by the actuarial valuation obtained and is presently being implemented as per the municipality's policy.

The municipality offers bonuses for every 5 years of completed service from 10 years to 45 years.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(8 820 000)	(8 003 000)
Non-current liabilities: < 1 year	(8 536 000)	(7 396 000)
Current liabilities: > 1 year	(284 000)	(607 000)
	(8 820 000)	**(8 003 000)**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
Net expense recognised in the statement of financial performance		
Current service cost	964 000	864 000
Past service cost	718 000	639 000
Actuarial (gains) losses	(126 000)	(530 000)
Settlement	(739 000)	(316 000)
	817 000	**657 000**
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	(394 000)	(530 000)

Key assumptions used

Assumptions used at the reporting date:

Duration of liability in years	8,49	8,72
Assumed retirement age (years)	63	63
Discount rate	8,83 %	8,32 %
Expected rate of return on assets	4,92 %	5,90 %
Expected increase in salaries	5,92 %	6,90 %
Net discount rate	2,75 %	2,26 %

Sensitivity analysis

The valuation basis assumes that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determines the bonuses payable will be 1.60% less than the corresponding discount rate,in the long term. The effect of a 1% increase and decrease in the salary inflation rate is as follows:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	1 907 000	1 619 000
Effect on defined benefit obligation	9 541 000	8 175 000

As per the table above, a 1% increase in the salary increase rate results in a 8.17% increase in the accrued liability whilst a 1% decrease in salary increase rate will result result in a 7,31% decrease in the accrued liability.:

Figures in Rand	2019	2018

6. Inventories

Inventories Land held for sale	47 258 312	47 258 312
Water for distribution	1 490 470	5 240 782
Stores and materials	2 424 421	3 763 620
	51 173 203	**56 262 714**

Water for distribution

Opening balance	5 240 782	432 602
System input volume	138 273 685	148 569 192
Water issued	(70 204 929)	(76 915 317)
Free basic water	(38 495 031)	(41 559 507)
Water losses	(33 324 036)	(25 286 188)
Closing balance	**1 490 471**	**5 240 782**

Water losses

Water losses as percentages	(24)%	(17)%

7. Receivables from exchange transactions

Deposits	97 511	83 300
Trade creditors with debit balances	2 547 245	2 547 245
Debtors shortages	45 021	45 021
Sundry debtors - Rental	451 951	388 124
Other debtors	473 103	473 103
Consumer debtors - Electricity	1 347	1 342
Consumer debtors - Water	3 674 385	21 838 186
Consumer debtors - Sewerage	72 047	405 253
Consumer debtors - Refuse	1 368 889	8 291 626
Consumer debtors - Merchandising Jobbing & Contracts	-	608 154
	8 731 499	**34 681 354**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(839 219 296)	(747 194 292)
Provision for impairment	(213 090 938)	(92 025 004)
	(1 052 310 234)	**(839 219 296)**

8. Receivables from non-exchange transactions

Traffic fines	1 437 203	157 302
Consumer debtors - Property Rates	2 089 356	12 945 332
	3 526 559	**13 102 634**

Traffic fines - Impaired

Gross balance	17 965 035	5 243 415
Less: Allowance for impairment	(16 527 832)	(5 086 113)
	1 437 203	**157 302**

Figures in Rand	2019	2018

9. VAT receivable

VAT receivable	116 455 767	77 491 228
VAT payable	(112 887 792)	(62 615 682)
	3 567 975	**14 875 546**

10. Receivables disclosure

Gross balances		
Consumer debtors - Rates	307 259 324	262 804 440
Consumer debtors - Water	540 352 605	443 339 085
Consumer debtors - Sewerage	10 595 151	8 227 074
Consumer debtors - Refuse	201 307 834	168 329 094
	1 059 514 914	**882 699 693**
Less: Allowance for impairment		
Consumer debtors - Rates	(305 169 968)	(249 859 108)
Consumer debtors - Water	(536 678 219)	(421 500 899)
Consumer debtors - Sewerage	(10 523 102)	(7 821 821)
Consumer debtors - Refuse	(199 938 944)	(160 037 468)
	(1 052 310 233)	**(839 219 296)**
Net balance		
Consumer debtors - Rates	2 089 356	12 945 332
Consumer debtors - Water	3 674 385	21 838 186
Consumer debtors - Sewerage	72 047	405 253
Consumer debtors - Refuse	1 368 889	8 291 626
	7 204 677	**43 480 397**
Included in above is receivables from exchange transactions		
Water	3 674 385	23 044 611
Sewerage	72 047	434 804
Refuse	1 368 889	8 261 276
	5 115 321	**31 740 691**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	2 089 356	11 739 707
Net balance	**7 204 677**	**43 480 398**
Rates		
Current (0 -30 days)	37 025	274 929
31 - 60 days	33 879	274 047
61 - 90 days	32 774	273 276
91 - 120 days	167 231	272 681
121 - 365 days	122 803	1 885 096
> 365 days	1 695 644	9 965 303
	2 089 356	**12 945 332**

Figures in Rand	2019	2018
Water		
Current (0 -30 days)	42 652	808 731
31 - 60 days	42 283	736 155
61 - 90 days	42 223	942 316
91 - 120 days	60 825	501 835
121 - 365 days	520 166	4 038 927
> 365 days	2 966 236	14 810 222
	3 674 385	**21 838 186**
Sewerage		
Current (0 -30 days)	875	14 061
31 - 60 days	864	13 850
61 - 90 days	861	13 702
91 - 120 days	854	13 632
121 - 365 days	6 708	93 844
> 365 days	61 885	256 164
	72 047	**405 253**
Refuse		
Current (0 -30 days)	22 563	212 602
31 - 60 days	22 414	211 636
61 - 90 days	22 380	211 289
91 - 120 days	22 379	211 092
121 - 365 days	178 480	1 474 470
> 365 days	1 100 673	5 970 537
	1 368 889	**8 291 626**

Figures in Rand	2019	2018
Gross balances		
Households	877 507 341	754 137 898
Industrial/Commercial	47 310 283	38 875 804
National and Provincial Government	134 697 287	8 968 992
	1 059 514 911	**801 982 694**

Summary of receivables by customer classification

	2019	2018
Households		
Current (0 -30 days)	10 926 422	15 163 664
31 - 60 days	10 864 822	15 966 454
61 - 90 days	10 813 818	15 898 434
91 - 120 days	15 336 037	15 721 209
121 - 365 days	79 891 231	107 567 652
> 365 days	749 675 011	583 820 484
	877 507 342	**754 137 897**
Industrial/ commercial		
Current (0 -30 days)	1 312 875	896 788
]a	1 002 765	989 449
61 - 90 days	909 704	984 258
91 - 120 days	2 051 977	974 781
121 - 365 days	6 001 603	6 680 839
> 365 days	36 031 359	28 349 689
	47 310 283	**38 875 804**
National and provincial government		
Current (0 -30 days)	2 228 313	5 980 238
31 - 60 days	2 196 890	4 894 045
61 - 90 days	2 177 342	7 824 923
91 - 120 days	11 082 449	1 408 992
121 - 365 days	29 431 841	16 989 149
> 365 days	87 580 452	52 588 645
	134 697 287	**89 685 992**
Total		
Current (0 -30 days)	14 467 611	22 040 690
31 - 60 days	14 064 477	21 849 948
61 - 90 days	13 900 864	24 707 615
91 - 120 days	28 470 462	18 104 981
121 - 365 days	115 324 675	131 237 640
> 365 days	873 286 822	664 758 819
	1 059 514 911	882 699 693
Less: Allowance for impairment	(1 052 310 234)	(839 219 296)
	7 204 677	**43 480 397**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2019	2018
Cash on hand	5 000	5 000
Bank balances	92 388 232	56 531 651
Short-term deposits	1 890 113	238 162
	94 283 345	**56 774 813**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	**30 June 2018**	**30 June 2017**	**30 June 2019**	**30 June 2018**	**30 June 2017**
First National Bank - Current Account: 620-262-96427	14 541 398	46 581 814	31 566 619	14 541 399	46 585 345	31 571 364
First National Bank - Call Deposit: 625-944-95270	-	-	11 698 326	-	-	11 698 326
First National Bank - Call Deposit: 621-470-52427	66 890 080	238 161	224 069	66 890 080	238 161	224 069
Nedbank - Current Account: 100-422-2378	732 213	9 801 613	23 687 110	732 213	9 793 490	13 078 985
Nedbank - Call Deposit: 788-152-7927	-	-	2 400 667	-	-	2 400 667
Nedbank 2	-	-	-	10 359 770	-	10 553 023
Total	**82 163 691**	**56 621 588**	**69 576 791**	**92 523 462**	**56 616 996**	**69 526 434**

12. Finance lease obligation

	2019	2018
Minimum lease payments due		
- within one year	4 127 394	-
- in second to fifth year inclusive	7 976 305	-
Present value of minimum lease payments	**12 103 699**	**-**
Non-current liabilities	7 976 305	-
Current liabilities	4 127 394	-
	12 103 699	**-**

It is municipality policy to lease certain motor vehicles under finance leases.

The average lease term was 3 years and the average effective borrowing rate is prime plus 1-% .

Interest rates are fixed at the contract date. All leases have fixed repayments .

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2019	2018
Unspent conditional grants and receipts		
Water grant	17 542 483	-

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 24 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2019	2018

14. Provisions

Reconciliation of provisions - 30 June 2019

	Opening Balance	Additions	Total
Environmental rehabilitation	19 373 024	2 418 793	21 791 817
Provision for Bonuses	2 889 460	372 158	3 261 618
	22 262 484	**2 790 951**	**25 053 435**

Reconciliation of provisions - 30 June 2018

	Opening Balance	Additions	Total
Environmental rehabilitation	16 679 715	2 693 309	19 373 024
Provision for Bonuses	2 644 750	244 710	2 889 460
	19 324 465	**2 938 019**	**22 262 484**

	2019	2018
Non-current liabilities	21 791 817	19 373 024
Current liabilities	3 261 618	2 889 460
	25 053 435	**22 262 484**

The municipality raises a provision for 13th cheque bonuses that staff members receive during their anniversary. The provision is based on the most recent effective salary notches of individual employees.

The municipality has two dumping sites, one in Kwaggafontein which is 3,5 hectares and the other one in KwaMlanga which is 4,5 hectares. The remaining useful lives of theses dumping sites are 5 years and 10 years respectively. Each year the dumping sites remaining useful lives are assessed and the provision is adjusted accordingly.

15. Payables from exchange transactions

	2019	2018
Trade payables	2 335 485	2 335 485
Accrued expense	21 197 973	19 978 243
Accrued leave pay	9 579 133	8 561 531
Retention	14 895 836	10 251 814
Agency fees payable - Licences & permits	-	1 244 633
Under banking	397 940	-
Payables and Accruals:Projects	12 532 975	5 295 498
Consumer debtors: Merchandising, jobbing and contracts	768 684	-
	61 708 026	**47 667 204**

Payables from exchange transactions: Non-current liabilities

	2019	2018
Advance payments Land	3 557 809	3 682 129
Retention	21 728 335	15 391 023
Unallocated deposits	8 830 482	8 305 326
Debtors with credit balances	9 649 335	11 056 733
Deposits received	316 010	268 374
	44 081 971	**38 703 585**

	2019	2018
Current liabilities	61 708 026	47 667 204
Non-current liabilities	44 081 971	38 703 585
	105 789 997	**86 370 789**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

16. Revenue

Service charges	92 794 583	131 988 408
Rental of facilities and equipment	1 080 424	1 024 062
Other income	2 234 216	1 803 473
Interest received	50 763 103	55 810 499
Property rates	42 287 013	42 764 437
Government grants & subsidies	538 709 517	524 299 000
Licences and permits	8 196 388	2 664 713
Public contributions and donations	7 286 549	48 414 095
Fines, Penalties and Forfeits	17 610 950	6 205 490
	760 962 743	**814 974 177**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	92 794 583	131 988 408
Rental of facilities and equipment	1 080 424	1 024 062
Other income	2 234 216	1 803 473
Interest received	50 763 103	55 810 499
	146 872 326	**190 626 442**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	42 287 013	42 764 437
Transfer revenue		
Government grants & subsidies	538 709 517	524 299 000
Licences and permits	8 196 388	2 664 713
Public contributions and donations	7 286 549	48 414 095
Fines, Penalties and Forfeits	17 610 950	6 205 490
	614 090 417	**624 347 735**

17. Service charges

Sale of water	65 633 905	96 796 165
Sewerage and sanitation charges	1 200 776	2 635 321
Refuse removal	25 959 902	32 556 922
	92 794 583	**131 988 408**

18. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	1 080 424	1 024 062

19. Fines, Penalties and Forfeits

Traffic Fines - Municipal and Court	17 610 950	6 205 490

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Lease rentals on operating lease

Motor vehicles		
Contingent amounts	-	326 806
Equipment		
Contingent amounts	921 614	1 300 158
	921 614	**1 626 964**

21. Other income

Library fees & fines	8 780	16 294
Handling fees	20 621	19 716
Application fees	125 929	111 157
Building plan approval	235 210	287 505
Clearance certificates	7 606	7 064
Maps publications	2 058	4 065
Occupation certificates	5 009	7 286
Insurance refunds	116 121	93 784
Tender documents	1 087 286	779 864
Staff recoveries	38 648	60 201
Valuation services	1 106	886
Statutory services	5 993	10 335
Trading licences	164 087	188 657
Sale of other goods & rendering of services	415 762	216 659
	2 234 216	**1 803 473**

22. Interest received

Interest revenue		
Current Bank	4 877 261	6 277 184
Interest charged on trade and other receivables	42 706 973	47 368 295
Interest on investments	3 178 869	2 164 649
Interest other	-	371
	50 763 103	**55 810 499**

Figures in Rand	2019	2018

23. Property rates

Rates received

Property rates: Residential & other	42 287 013	42 764 437

Valuations

Residential	907 232 000	7 261 231 798
Commercial	294 692 000	258 858 015
State	1 923 352 000	28 937 300
Municipal	7 741 869 800	115 732 060
Agricultural	411 350 000	1 529 616 000
Schools	524 311 000	258 230 500
Parks	-	23 539 700
Churches	1 246 000	26 127 000
PBO	4 700 000	-
PSI	35 000	-
	11 808 787 800	**9 502 272 373**

Valuations on land and buildings are performed every 4 years. The new general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Government grants and subsidies

Operating grants		
Equitable share	364 153 000	338 477 000
Capital grants		
MIG	124 345 000	136 562 000
FMG	1 770 000	1 700 000
EPWP	1 984 000	2 560 000
Water grant	46 457 517	45 000 000
	174 556 517	**185 822 000**
	538 709 517	**524 299 000**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

MIG

Current-year receipts	124 345 000	136 562 000
Conditions met - transferred to revenue	(124 345 000)	(136 562 000)
	-	-

FMG

Current-year receipts	1 770 000	1 700 000
Conditions met - transferred to revenue	(1 770 000)	(1 700 000)
	-	-

EPWP Grant

Current-year receipts	1 984 000	2 560 000
Conditions met - transferred to revenue	(1 984 000)	(2 560 000)
	-	-

Water Grant

Current-year receipts	64 000 000	45 000 000
Conditions met - transferred to revenue	(46 457 517)	(45 000 000)
	17 542 483	-

Conditions still to be met - remain liabilities (see note 13).

The municipality submitted an application for roll over funds in compliance with secction 21(2) of the Division of Revenue Act. This requires that any conditional grants which are not spent at the end of the fianancial year must be reverted back to the National Revenue Fund, unless the receiving officer proves to the satisfaction of National Treasury that the unspent allocations committed to identifiable projects, in which case the funds may be rolled over. The Municipality has submitted proof that funds to the amount of R17 542 483 has been committed and should be rolled over to the next financial year..

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

25. Licences and Pemits

Drivers licence applications	-	1 150 466
Drivers licence certificates	-	1 155 727
Vehicle licences	8 193 609	-
Public road permits	2 779	358 520
	8 196 388	**2 664 713**

26. Donations received

Nkangala District Municipality	1 381 412	48 364 095
Greenest Municipality Competition	-	50 000
Department of Culture, Sport and Recreation	5 905 137	-
	7 286 549	**48 414 095**

Donations by way of assets were received from Nkangala District Municipality in R1 381 412 (2018-2019); R48 525 694 (2017-2018) and Department of Culture, Sport & Recreation of R5 905 137 (2018-2019); RNil (2017-2018) . The amount of RNil (2018-2019); R50 000 (2017-2018) was received from Department of Environmental Affairs..

Figures in Rand	2019	2018

27. Employee related costs

Basic	89 993 293	81 430 324
Bonus	7 140 723	6 305 798
Medical aid - company contributions	6 632 011	6 145 392
UIF	675 962	652 640
WCA	838 752	927 897
SDL	1 188 400	1 050 953
Shift allowance	1 115 909	856 116
Leave pay provision charge	341 025	323 555
Travel, motor car, accommodation, subsistence and other allowances	3 436 523	2 347 704
Overtime, Shit and Standby allowance)	1 086 006	371 340
Long-service awards	738 752	1 386 107
Acting allowances	630 791	508 462
Housing benefits and allowances	97 169	95 593
Cellphone allowances	614 088	544 650
Pension contributions	17 080 621	14 188 308
SALGBC	40 170	36 645
Acting allowances	46 330	-
	131 696 525	**117 171 484**

During the financial period 2018-2019 the municipality migrated from Grade 3 to 4

Remuneration of Municipal Manager: Mr ON Nkosi 01 July 2017 to 30 June 2019

Annual Remuneration	876 018	1 006 197
Car Allowance	180 000	180 000
Contributions to UIF, Medical and Pension Funds	156 136	59 737
	1 212 154	**1 245 934**

Remuneration of Chief Finance Officer: Ms JG Mahlangu 01 May 2019 to 30 June 2019

Annual Remuneration	104 462	-
Car Allowance	20 000	-
Contributions to UIF, Medical and Pension Funds	28 854	-
	153 316	**-**

Remuneration of acting Chief Finance Officer: Mr JS Mzobe 01 December 2018 to 31 May 2019

Annual Remuneration	55 492	-
Contributions to UIF, Medical and Pension Funds	78 107	-
	133 599	**-**

Remuneration of chief finance officer: Mr BB Sithole 1 July 2016 to 30 September 2017

Annual Remuneration	-	193 556
Car Allowance	-	36 000
Contributions to UIF, Medical and Pension Funds	-	2 551
	-	**232 107**

Acting allowance for Chief Finance Officer 01 November 2017 to 30 June 2019

Ms JG Mahlangu	-	13 273
Mr OD Ledwaba (01July 2018 to 31 October 2018)	27 895	20 152
Mr R Makhubele	-	5 035

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
	27 895	**38 460**

Remuneration of Corporate Service Manager: Ms SA Nxumalo 01 July 2017 to 30 June 2019

Annual Remuneration	772 371	822 648
Car Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	99 855	58 301
	932 226	**940 949**

Remuneration of Social Services Manager: Mr AK Chego 01 August 2018 to 30 June 2019

Annual Remuneration	791 583	-
Car Allowance	110 000	-
Contributions to UIF, Medical and Pension Funds	53 852	-
	955 435	**-**

Acting allowances for Social Services Manager 01 July 2017 to 30 June 2019

Ms AN Aphane	-	13 854
Mr SP Masilela	-	15 104
	-	**28 958**

Remuneration of Development Planning Manager: Mr MS Tsebe 01 May 2019 to 30 June 2019

Annual Remuneration	120 036	-
Car Allowance	20 000	-
Contributions to UIF, Medical and Pension Funds	13 466	-
	153 502	**-**

Acting allowances for Development Planning Manager: 01 October 2018 to 30 November 2018

Mr WS Msiza (01 September 2018 to 30 November 2018)	11 371	-

Remuneration of Technical Sevice Manager: Mr VL Skosana 01 May 2019 to 30 June 2019

Annual Remuneration	91 990	-
Car Allowance	20 000	-
Contributions to UIF, Medical and Pension Funds	17 359	-
	129 349	**-**

Remuneration of Technical Services Manager: Ms R Morudi 01 July 2017 to 31 October 2018

Annual Remuneration	331 305	813 738
Car Allowance	26 922	120 000
Contributions to UIF, Medical and Pension Funds	40 051	86 036
	398 278	**1 019 774**

Acting allowance Technical Services Manager 01 November 2018 to 30 June 2019

Mr DJD Mahlangu (01September 2018 to 31 January 2019)	18 209	-
Mr CI Mokubedi (01 February 2019 to 30 April 2019)	18 751	-
	36 960	**-**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

28. Remuneration of councillors

Executive Mayor	911 045	922 109
Chief whip	694 181	723 741
Speaker	748 092	759 276
Councillors	21 824 265	20 996 004
	24 177 583	**23 401 130**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a seperate Council owned vehicle for official duties.

29. Depreciation and amortisation

Property, plant and equipment	70 798 079	86 116 327

30. Finance costs

Finance leases	484 287	-
Other interest paid	7 666	486
	491 953	**486**

31. Debt Impairment

Consumer debtors contribution to debt impairment provision	213 090 938	92 025 004
Traffic fines bad debt contribution to debt impairment provision	11 441 720	4 375 318
	224 532 658	**96 400 322**

32. Amnesty written off - consumer debtors

Amnesty written off	4 434 561	1 925 673

33. Prescription written off - consumer debtors

Prescription written off	-	135 439 513

34. Bulk purchases

Water purchases	142 097 317	143 761 013

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

35. General expenses

Advertising	759 809	547 620
Auditors remuneration	5 473 889	4 690 728
Bank charges	286 178	299 831
Consulting and professional fees	17 012 860	20 472 780
Debt collection	-	1 180 543
Entertainment	1 634 277	1 637 216
Traffic Fines management	-	2 055 715
Flowers	110 000	78 000
Insurance	1 662 789	1 578 903
Conferences and seminars	1 148 061	1 068 254
Motor vehicle expenses	600 760	531 650
Postage and courier	108 509	1 885
Printing and stationery	1 236 026	1 135 695
Promotions	-	45 836
Repairs and maintenance	26 760 333	22 648 044
Security (Guarding of municipal property)	18 335 462	17 033 329
Software expenses	3 300 600	2 807 670
Staff welfare	229 712	-
Subscriptions and membership fees	155 541	1 505 519
Telephone and fax	1 157 334	1 615 952
Travel - local	3 745 383	2 290 440
Sewerage and waste disposal	3 474 060	3 570 809
Municipal services	10 649 248	7 742 864
Uniforms	339 482	673 370
Material and supplies	12 274 788	9 411 677
Motor vehicle licences	939 937	744 868
Town planning costs	561 800	198 687
Indigent relief	1 794 937	2 476 790
Sample testing - Water	1 674 670	1 700 476
Ward committee allowances	3 703 000	3 725 650
Water delivery services	19 244 990	13 472 779
Other expenses	6 760 151	769 804
	145 134 586	**127 713 384**

36. Auditors' remuneration

Expenses	5 473 889	4 690 728

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

37. Cash generated from operations

Surplus	16 480 645	81 136 662
Adjustments for:		
Depreciation and amortisation	70 798 079	86 116 327
(Loss) gain on discontinued operations	(20 755)	281 219
Debt impairment	224 532 658	96 400 322
Consumer debtors Amnesty written off	(4 434 561)	(1 925 673)
Consumer debtors Prescription written off	-	(135 439 513)
Movements in retirement benefit assets and liabilities	(1 423 393)	657 000
Movements in provisions	(2 790 951)	2 938 019
VAT adjustment	(9 645 856)	10 466 827
Changes in working capital:		
Inventories	(5 089 511)	11 250 997
Receivables from exchange transactions	(25 949 855)	(6 900 358)
Receivables from non-exchange transactions	(9 576 075)	(1 706 012)
Payables from exchange transactions	(9 843 133)	21 839 918
VAT	(11 307 571)	4 161 227
Unspent conditional grants and receipts	(17 542 483)	-
Finance lease liability	(12 103 699)	-
	202 083 539	**169 276 962**

38. Financial instruments disclosure

Categories of financial instruments

30 June 2019

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	8 731 499	8 731 499
Other receivables from non-exchange transactions	-	3 425 559	3 425 559
Cash and cash equivalents	94 283 345	-	94 283 345
	94 283 345	**12 157 058**	**106 440 403**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	61 708 026	61 708 026

30 June 2018

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	34 681 354	34 681 354
Other receivables from non-exchange transactions	-	13 102 634	13 102 634
Cash and cash equivalents	56 774 813	-	56 774 813
	56 774 813	**47 783 988**	**104 558 801**

Financial liabilities

Figures in Rand	2019	2018
	At amortised cost	**Total**
Trade and other payables from exchange transactions	62 061 821	62 061 821

39. Commitments

Authorised capital expenditure

Figures in Rand	2019	2018
Already contracted for but not provided for		
• Property, plant and equipment	94 299 565	122 837 919
Total capital commitments		
Already contracted for but not provided for	94 299 565	122 837 919

Figures in Rand	2019	2018

40. Contingencies

Details of Contingencies

Plaintiff	**Detail**	**Amount claimed**
1. THLM vs Lawmark Consultin CC - Case no: 70121/11	Joint venture between Lawmark and Casnans - suing the municipality for termination of contract	1 200 000
2. THLM vs Piet Chill - Case no: 12/2013	Mr Chill has issued summons against the municipality claiming loss of income as a result of breach of contract on the part of the municipality	38 204
3. Mabapa Building Construction t/a vs THLM - Case no: 623/16/14	The plaintiff is alleging that some emploees of the municipality negligently started fire or negligently failed and/or omitted to contain the fire they started. The said fire burned down the plaintiff's business premises and other items	2 000 000
4. THLM vs Telkom - Case no: 110/2015	The plaintiff is alleging that at the or near Moloto road on or about the 4th of March 2013, employees of the municipality acting with the scope of employment damaged an overhead cable belonging to the plaintiff.	24 909
5. THLM vs SAMWU abo Thutse Reinsthine Mmantimo - Case no: JS436/15	There were two appointments done while the vacant position was for one.	255 257
7. THLM vs Unlawful occupiers of land - Case 2932/17, 2867/17, 2631/17, 2632/17 and 2633/17	as from July 2017, the municipality received an enormous land invasion in the following areas: Empumelelweni, Verena, Zensele, Phumula, Wolvenkop, Moloto South and Moloto North. The land invasion continued unabated even after two meetings which were held between THLM & Tradisional Leaders on the 06 August 2017 and 08 September 2017. it was agreed that there will be a moratoruim on land allocation until a memorandum of understanding is signed between the two parties.	-
6. MJ Magaela vs Minister of Police/THLM and NPA - Case 84342/17	On the 5 January 2018 summons were served wherein the plaintiff claim against the municipality payment of an amount od R1 290 000 for damages he claims to have suffered due assualt by members of the municipal traffic officers on the 15 March 2016 at Kwamhlanga R573 near Total garage.	No amount available -
7. Kosabo Elijah Masango and 4 others vs THLM - Case 62909/18	On the 29 August 2018, the municipality received an urgent application whrein the applicant & 4 others wanted the High Court to set aside and and recind the court order that was granted in favour of the municipality on the 15 January 2016. the court order relates to the eviction of the unknown unlawful occupiers of portion 6 and remainder of the farm 617 KwaMhlanga JR.	211 453

Figures in Rand	2019	2018

41. Related parties

Relationships

Accounting Officer	Mr ON Nkosi
Corporate Service Manager	Ms SA Nxumalo
Social Services Manager	Mr AK Chego
Chief Finance Officer (CFO)	Ms JG Mahlangu
Development Planning Manager	Mr MS Tsebe
Technical Services Manager	Mr VL Skosana
District Municipality	Nkangala District Municipality

The information required as per GRAP 20 paragraph 35(a) to (i) can be found in note 5 (Employee benefit obligations), 13 (Bonus provision), 14 (Leave provision), 27 (employee related costs), 28 (remuneration of councilors) and 49 (Councillor's in arrears) within the financial statements where relevant to the municipality.

42. Prior period errors

The correction of the error(s) results in adjustments as follows:

43. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

30 June 2018

	As previously reported	Correction of error	Change in accounting policy	Restated
Inventories	52 520 417	3 742 297	-	56 262 714
Receivables from exchange transactions	35 886 978	-	-	35 886 978
Recevables from non-exchange transactions	13 314 960	(1 417 950)	-	11 897 010
Cash and cash equivalents	56 621 997	152 817	-	56 774 814
Property, plant and equipment	1 888 374 360	(6 203 552)	-	1 882 170 808
Payables from exchange transactions	(62 539 702)	(1 251 562)	-	(63 791 264)
Revaluation reserve	(207 577 507)	-	207 577 507	-
Accumulated surplus	(1 739 696 566)	4 964 392	(207 577 507)	(1 942 309 681)
	36 904 937	**(13 558)**	**-**	**36 891 379**

Statement of financial performance

Figures in Rand	2019	2018

30 June 2018

	As previously reported	Correction of error	Re-classification/ Re-allocation	Restated
Revenue from exchange transactions	1	-	1	2
Interest received	55 657 682	152 817	-	55 810 499
Transfer revenue	(1)	-	-	(1)
Government grants and subsidies	-	-	(1)	(1)
Licences and permits	4 098 003	(1 244 632)	-	2 853 371
Fines, penalties and forfeits	4 956 377	1 249 113	-	6 205 490
Debt impairment	(96 110 628)	(289 694)	-	(96 400 322)
General expenses	(125 734 920)	-	-	(125 734 920)
Surplus for the	**(157 133 486)**	**(132 396)**	**-**	**(157 265 882)**

Compatative figures

Figures in Rand	2019	2018

30 June 2018

	As previously reported	Correction of error	Change in accounting policy	Re-classification/ Re-allocation	Restated
Statement of financial position					
Current assets	1	-	-	-	1
Inventories	52 520 417	3 742 297	-	-	56 262 714
Recevables from exchange transactions	35 886 978	-	-	(1 205 624)	34 681 354
Recevables from non-exchange transactions	13 314 960	(1 417 950)	-	1 205 624	13 102 634
VAT receivable	14 875 546	-	-	-	14 875 546
Cash & cash equivalents	56 621 997	152 816	-	-	56 774 813
Non-current assets	(1)	-	-	-	(1)
Property, plant and equipment	1 888 374 360	(6 203 552)	-	-	1 882 170 808
Intangible assets	1 078 085	-	-	-	1 078 085
Liabilities	1	-	-	-	1
Payables from exchange transactions	(62 539 702)	(1 251 562)	-	16 124 063	(47 667 201)
Provision bonusses	(2 889 460)	-	-	-	(2 889 460)
Employee benefit obligations	-	-	-	(607 000)	(607 000)
Non-current liabilities	(1)	-	-	-	(1)
Employee benefit obligations	(8 003 000)	-	-	607 000	(7 396 000)
Provisions Landfill site	(19 373 024)	-	-	-	(19 373 024)
Non-current potion of payables from exchange transactions	(22 593 084)	-	-	(16 110 501)	(38 703 585)
Revaluation reserve	(207 577 507)	-	207 577 508	-	1
Accumulated surplus	(1 739 696 566)	4 964 392	(207 577 507)	-	(1 942 309 681)
	-	**(13 559)**	**1**	**13 562**	**4**
Statement of financial perfomance					
Revenue from exchange transactions	1	-	-	-	1
Service charges	131 988 408	-	-	-	131 988 408
Rental of facilities and equipment	1 024 062	-	-	-	1 024 062
Interest revenue	55 657 682	152 817	-	-	55 810 499
Other income	-	-	-	1 803 473	1 803 473
Taxation revenue	(1)	-	-	-	(1)
Property rates	42 764 437	-	-	-	42 764 437
Transfer revenue	(1)	-	-	-	(1)
Government grants & subsidies	524 299 000	-	-	-	524 299 000
Donations received	48 414 095	-	-	-	48 414 095
Licences and permits	4 098 003	(1 244 632)	-	(188 659)	2 664 712
Fines, penalties & forfeits	4 956 377	1 249 113	-	-	6 205 490
Other income	1 614 814	-	-	(1 614 814)	-
Expenditure	1	-	-	-	1
Employee related costs	(117 038 472)	-	-	(133 012)	(117 171 484)
Remuneration of councillors	(23 534 142)	-	-	133 012	(23 401 130)
Depreciation and amortisation	(86 116 327)	-	-	-	(86 116 327)
Finance costs	(486)	-	-	-	(486)
Lease rentals on operating leases	(1 626 964)	-	-	-	(1 626 964)
Debt impairment	(96 110 628)	(289 694)	-	-	(96 400 322)
Bulk purchases	(143 761 162)	-	-	-	(143 761 162)
Prescription consumers written off	(135 439 513)	-	-	-	(135 439 513)
Loss on non-current assets held for sale or disposal groups	(281 219)	-	-	-	(281 219)
Amnesty consumers written off	(1 925 673)	-	-	-	(1 925 673)

Notes to the Annual Financial Statements

Figures in Rand				2019	2018
General expenses	(1)	-	-	-	(1)
Advertising	(547 620)	-	-	-	(547 620)
Auditors remuneration	(4 690 728)	-	-	-	(4 690 728)
Bank charges	(299 831)	-	-	-	(299 831)
Consulting and professional fees	(20 472 780)	-	-	-	(20 472 780)
Debt collection	(1 180 543)	-	-	-	(1 180 543)
Entertainment	(1 011 680)	-	-	(625 535)	(1 637 215)
Fines management	(77 251)	-	-	-	(77 251)
Flowers	(78 000)	-	-	-	(78 000)
Insurance	(1 578 903)	-	-	-	(1 578 903)
Conferences and seminars and training	-	-	-	(1 068 254)	(1 068 254)
Motor vehicle expenses	(3 440 004)	-	-	2 908 354	(531 650)
Fuel and oil	(6 618 544)	-	-	6 618 544	-
Postage and courier	(1 885)	-	-	-	(1 885)
Printing and stationery	(1 135 695)	-	-	-	(1 135 695)
Promotions	(45 836)	-	-	-	(45 836)
Repairs and maintenance	(19 739 690)	-	-	(2 908 354)	(22 648 044)
Security	(17 033 329)	-	-	-	(17 033 329)
Software expenses	(2 807 670)	-	-	-	(2 807 670)
Subscriptions and memebership fees	(1 505 519)	-	-	-	(1 505 519)
Telephone and fax	(1 615 952)	-	-	-	(1 615 952)
Training	(1 068 254)	-	-	1 068 254	-
Travel - Local	(2 915 975)	-	-	625 536	(2 290 439)
Municipal services	(7 742 864)	-	-	-	(7 742 864)
Sewerage and waste disposal	(877 500)	-	-	(2 693 309)	(3 570 809)
Water delivery services	(13 472 779)	-	-	-	(13 472 779)
Uniforms	(673 370)	-	-	-	(673 370)
Material and supplies	(2 793 133)	-	-	(6 618 544)	(9 411 677)
Motor vehicle licences	(744 868)	-	-	-	(744 868)
Town planning costs	(198 687)	-	-	-	(198 687)
Indigent relief	(2 476 641)	-	-	-	(2 476 641)
Sample testing - Water	(1 700 476)	-	-	-	(1 700 476)
Ward committee allowances	(3 725 650)	-	-	-	(3 725 650)
Other expenditure	(3 463 113)	-	-	2 693 309	(769 804)
	83 247 521	**(132 396)**	**-**	**1**	**83 115 126**

44. Risk management

Financial risk management

Figures in Rand	2019	2018

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Current liabilities: Payables from exchange transactions	61 898 308	-	-	-
Current liabilities: Finance lease obligations	4 127 394	-	-	-
Non-current liabilities: Payables from exchange transactions	-	6 354 854	24 141 286	13 306 549
- Deposits received	-	-	-	316 010
- Retention	-	6 354 854	15 373 481	-
- Advance payments: Land & buildings	-	-	3 557 809	-
- Unallocated deposits	-	-	5 209 996	3 620 486
- Debtors with credit balances	-	-	-	9 649 335
Non-current liabilities: Landfill sites	-	-	-	21 797 417
Non-current liabilities: Finance lease obligation	-	7 976 305	-	-

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Current liabilities: Payables from exchange transactions	47 667 204	-	-	-
Non-current liabilities: Payables from exchange transactions	-	17 680 144	4 912 940	16 110 501
Non-current liabilities: Landfill sites	-	-	-	19 373 024

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	30 June 2019	30 June 2018
Cash and cash equivalents	94 283 345	56 774 813
Receivables from exchange transactions	25 198 254	34 681 354
Receivables from non-exchange transactions	9 906 446	14 520 584

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Figures in Rand	2019	2018

45. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 1 967 490 628.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

46. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

47. Fruitless and wasteful expenditure

	2019	2018
Opening balance as previously reported	10 346 660	2 705 303
Opening balance as restated	**10 346 660**	**2 705 303**
Add: Fruitless Expenditure - current	820 989	10 346 660
Less: Amount written off - prior period	-	(2 705 303)
Closing balance	**11 167 649**	**10 346 660**

The municipality has appointed a diciplinary board to investigate the UIFW. Their investigation are not yet concluded.

Notes to the Annual Financial Statements

Figures in Rand		2019	2018

Expenditure identified in the current year include those listed below:

Eskom and Rand Water Bulk	Interest on late payments	7 663	-
	Discovered during audit 2017-2018	-	1
> Monde Consulting	Changes to BOQ without approved Variation Order for project: New Reservoir and Pipeline at Kwamhlanga for Phola Park and Mountain View Communities - Phase 2 (Multi Year Project	-	952 875
> Toopvar Kgotsong Namukelwe JV	Inconsistent rates/overpayments for project: Upgrading of Existing Infrastructure from project to Augment Boreholes Water Supply in Bundu (Multi Year Project) Work Package 2	-	1 483 496
> Toopvar Kgotsong Namukelwe JV	Material from commercial source not used for project: Upgrading of Existing Infrastructure from project to Augment Boreholes Water Supply in Bundu (Multi Year Project) Work Package 2	-	5 189 000
> Mbako Projects and Trading	Claims on payment certificate unsubstantiated for project: Upgrading of Existing Infrastructure from project to Augment Boreholes Water Supply in Bundu (Multi Year Project) Work Package 5	-	850 000
> Employees	Employees who absconded	-	1 503 765
Identified through audit process in 2017-2018		-	(1)
> Employees	Employees	-	119 512
> Hlophe Njabulo Enterprise	Amount paid more than quoted amount	-	248 013
	Discovered during audit 2018-2019	1	-
COMAF 36: Claim for services not rendered for Upgrading of Vlaklaagte and Kwaggafontein Water Infrastructure project	Section 1 of MFMA	247 281	-
COMAF 37: Non-compliance with indigent subsidy and free basic services provision policy	Section 1 of MFMA	566 044	-
		820 989	**10 346 661**

48. Irregular expenditure

	2019	2018
Opening balance	35 008 277	91 349 727
Add: Irregular Expenditure - current year	9 128 547	44 836 614
Opening balance as restated	**44 136 824**	**136 186 341**
Less: Amounts written off by Council awaiting to be condoned by National Treasury.	-	(101 178 064)
Closing balance	**44 136 824**	**35 008 277**

Audited
By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Annual Financial Statements

Incidents/cases identified in the current year include those listed below:

Figures in Rand	Legislation transgressed against	2019	2018
Zembeleni	SCM Regulation 29(2)	4 759 644	4 831 783
Mamolato Construction	SCM Regulation 29(2)	855 606	527 200
Richo	Constitution 111; SCM Regulation 32, 19(b)	405 902	2 866 282
Bahwiti	SCM Regulation 19(b)	15 915	1 253 656
Tshwele Construction	SCM Regulation 18	31 050	-
Thobela Attorney's and LMK Consulting JV	SCM Regulation 32	501 786	-
Bidvest	SCM Regulation 32	1 321 078	-
Nedfleet	SCM Regulation 19	203 813	-
Fidelity Cash Solutions	SCM Regulation 19	167 459	-
Work Dynamics (Pty) Ltd	SCM Regulation 44	-	14 448
Kuye Trading	SCM Regulation 22(1)(b)(i)	-	2 019 772
Monde Consulting	General Condition of Contracts: Clause 10.1.1.4; MFMA Section 112(1)	866 295	23 379 340
Papasaul Construction	SCM Regulation 19(b)	-	2 305 599
Mbanga Trading Enterprise	SCM Regulation 19(b)	-	2 761 094
J P Trading and Projects	SCM Reguation 43	-	90 000
Mdubane Plant hire and projects	SCM Regulation 19(b)	-	29 840
Exquisite Royalty Design	SCM Regulation 19(b)	-	12 650
Tsotetsi Construction and Dev	SCM Regulation 19(b)	-	195 310
Alleah Construction	SCM Regulation 19(b)	-	29 600
Greenrim Trading	SCM Regulation 19(b)	-	29 940
MTP Practical Refrigeration Co	SCM Regulation 19(b)	-	696 221
Witbank Mining Imbizo	SCM Regulation 19(b)	-	331 056
Star Jay 's Construction	SCM Regulation 19(b)	-	317 716
Mega Works Trading Enterprise	SCM Regulation 19(b)	-	1 145 916
Hlophe Njabulo Enterprise	SCM Regulation 19(b)	-	1 027 766
Mandlakandala Trading and Projects	SCM Regulation 15	-	687 352
Nedfleet		-	124 612
Fidelity cash solutions		-	159 463
		9 128 548	**44 836 616**

Figures in Rand	2019	2018

49. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	5 473 889	4 690 728
Amount paid - current year	(5 473 889)	(4 690 728)
	-	-

PAYE

Current year subscription / fee	19 164 121	15 567 190
Amount paid - current year	(19 164 121)	(15 567 190)
	-	-

UIF

Current year subscription / fee	663 401	652 640
Amount paid - current year	(663 401)	(652 640)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	26 608 381	23 077 770
Amount paid - current year	(26 608 381)	(23 077 770)
	-	-

VAT

VAT receivable	116 455 767	77 491 228
VAT payable	(112 887 792)	(62 615 682)
	3 567 975	**14 875 546**

VAT output payables and VAT input receivables are shown in note & 9

Figures in Rand	2019	2018

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

Figures in Rand	2019	2018

30 June 2019

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Boshego Steven	393	1 834	2 227
Cllr Dhlamini Alicia Lebohang	521	24 829	25 350
Cllr Fakude Dumisani Chrescent	618	12 423	13 041
Cllr Jiyane Laza Elsie	565	12 500	13 065
Cllr Kekana Piet Thapelo	345	12 060	12 405
Cllr Mabelwane Oria Mpheto	722	48 295	49 017
Cllr Mabena Mbebenzi Ben	393	1 834	2 227
Cllr Mabena Thomas Lebandla	530	11 070	11 600
Cllr Madyungu Alexcious Sphiwe	521	20 884	21 405
Cllr Mahlangu Amos	345	3 440	3 785
Cllr Mahlangu Christinah Ndlelenhle	567	14 409	14 976
Cllr Mahlangu Gideon	412	2 837	3 249
Cllr Mahlangu Moses Michael	521	19 932	20 453
Cllr Mampuru Dipolelo Sinah	393	1 834	2 227
Cllr Maseko Zanele	-	1 456	1 456
Cllr Mashaba Mqosh Paulus	393	1 834	2 227
Cllr Mashinini Thabisile Elsie	309	-	309
Cllr Masilela Toenkie Linah	393	1 834	2 227
Cllr Mathibela Emelinah Mavis	567	15 975	16 542
Cllr Mnguni Maria Qhubeni	345	5 521	5 866
Cllr Mnisi Sgaule Timothy	424	4 348	4 772
Cllr Mogoboya Samuel Bongani	397	11 912	12 309
Cllr Mokwena Maria Adelaide	462	5 865	6 327
Cllr Motanyane Thokozile Egnes	521	23 112	23 633
Cllr Motaung Ntombi Mitta	562	10 056	10 618
Cllr Motena Mitopi Andries	309	2 472	2 781
Cllr Msibi Bongani Victor	602	14 758	15 360
Cllr Msibi Vusi Amos	566	10 343	10 909
Cllr Msiza Khulisile April	602	17 205	17 807
Cllr Msiza Nomatjeni Nellie	439	4 409	4 848
Cllr Mtsweni Nomsa Sanny	330	-	330
Cllr Mtsweni Rubber Qaliwe	512	9 234	9 746
Cllr Nduli Masotja Petrus	521	28 690	29 211
Cllr Ngoma Norman	548	9 284	9 832
Cllr Ngoma Sipho Koos	345	1 765	2 110
Cllr Nhlapho Sonto Rose	223	-	223
Cllr Skosana Dini Samson	432	10 168	10 600
Cllr Sikosana Mzwandile Obed	699	-	699
Cllr Skosana Lindiwe Thembi	231	-	231
Cllr Skosana Vusimusi Vincent	530	12 405	12 935
Cllr Tibane Thabo John	137	-	137
	18 245	**390 827**	**409 072**

30 June 2018

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Boshego Steven	180	-	180
Cllr Maseko Zanele	-	1 343	1 343
Cllr Msibi Vusi Amos	251	8 446	8 697
Cllr Dhlamini Alicia Lebohang	311	22 997	23 308
Cllr Fakude Dumisani Chrescent	124	12 502	12 626
Cllr Hlope Nompumelelo Evidence	-	177	177
Cllr Jiyane Koos Vusi	-	178	178
Cllr Jiyane Laza Elsie	-	10 858	10 858

Notes to the Annual Financial Statements

Figures in Rand		2019	2018
Cllr Kekana Piet Thapelo	258	10 767	11 025
Cllr Mabelwane Oria Mpheto	457	44 541	44 998
Cllr Mabena Thomas Lebandla	-	8 533	8 533
Cllr Madyungu Alexcious Sphiwe	255	19 131	19 386
Cllr Mahlangu Amos	175	2 230	2 405
Cllr Mahlangu Christinah Ndlelenhle	357	13 406	13 763
Cllr Mahlangu Gideon	-	5 450	5 450
Cllr Mahlangu Moses Michael	229	18 194	18 423
Cllr Makatu Pheneus Doctor	15	313	328
Cllr Makhubela Jan Masaka	-	143	143
Cllr Makhwiting Theletjie James	180	528	708
Cllr Malefo Nimrod Boitumelo	36	116	152
Cllr Mampuru Dipolelo Sinah	180	528	708
Cllr Masango Sipho	14	207	221
Cllr Mashaba Mqosh Paulus	180	528	708
Cllr Mashinini Thabisile Elsie	33	730	763
Cllr Masilela Toenkie Linah	180	528	708
Cllr Mathibela Emelinah Mavis	340	13 989	14 329
Cllr Mnguni Maria Qhubeni	175	4 311	4 486
Cllr Mnisi Sgaule Timothy	276	2 842	3 118
Cllr Mogoboya Samuel Bongani	257	9 838	10 095
Cllr Mokwena Maria Adelaide	-	11 514	11 514
Cllr Molefe Remenky Stephinah	3	369	372
Cllr Motanyane Thokozile Egnes	3	22 210	22 213
Cllr Motaung Ntombi Mitta	247	8 178	8 425
Cllr Motena Mitopi Andries	195	1 086	1 281
Cllr Msibi Bongani Victor	340	19 916	20 256
Cllr Msiza Maria Poppy	-	842	842
Cllr Msiza James Simausu	14	41	55
Cllr Msiza Khulisile April	-	21 952	21 952
Cllr Msiza Nomatjeni Nellie	-	9 449	9 449
Cllr Mthimunye Joseph Elias	-	256	256
Cllr Mtsweni Nomsa Sanny	-	392	392
Cllr Mtsweni Rubber Qaliwe	-	7 679	7 679
Cllr Nduli Masotja Petrus	251	26 929	27 180
Cllr Ngoma Norman	239	7 454	7 693
Cllr Ngoma Sipho Koos	175	556	731
Cllr Nhlapho Sonto Rose	-	911	911
Cllr Nobela Maria Truddy	-	104	104
Cllr Phakathi Nomasonto Emmah	-	334	334
Cllr Skosana Dini Samson	202	8 669	8 871
Cllr Skosana Lindiwe Thembi	-	19	19
Cllr Skosana Vusimusi Vincent	-	10 885	10 885
Cllr Tau Joyce Johannah	-	180	180
Cllr Tibane Thabo John	-	1 250	1 250
Cllr Tshabangu Martha Lilian	111	3 100	3 211
	6 243	**377 629**	**383 872**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

50. Deviation from supply chain management regulations

Paragraph 36 of the MFMA Act and regulationsstates that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Various servicesBuses and gym equipment were procured during the financial under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Details of deviations – current year

Service description	**Service providers**	**Justifiable reason for deviation**	
1.Procurement and installation of brake linings (Complete set)	McCarthy Kunene	Sole provider of services.	6 678
2.The Institute of Internal Auditors	The Institute of Internal Auditors	Sole provider of services.	6 728
3. System maintenance and repairs of the recording system in the council chamber	Shellard Media Audio Visual	Sole provider of services.	153 317
4. Short-term rental of 4 Toyota Hilux bakkies	Bidvest Bank Limited	Sole provider of services.	52 895
5. Registration fees for CIGFARO conference for Executive Mayor Ms Nomsa Mtsweni	CIGFARO (IMFO)	Sole provider of services	8 024
6. Registration fees for CIGFARO conference for MMC L Tshabangu	CIGFARO (IMFO)	Sole provider of services	8 224
7. Registration fees for CIGFARO conference for Mr J Moyo and Mr OD Ledwaba	CIGFARO (IMFO)	Sole provider of services	8 024
8. Registration fees for CIGFARO conference for Mr A Malope and Ms S Moripe	CIGFARO (IMFO)	Sole provider of services	16 048
9. Replacement of coolant and thermostat	McCarthy Kunene	Sole provider of services	22 900
10. Registration of IRMSA training for Risk Champions	The Institute of Risk Management SA	Sole provider of services	38 392
11. Procurement of contractor	Prothabe Electrical Services	Emergeny	12 579
12. Registration fees for Mr. A. Malope, Mrs. S.Moripe and Mrs. M. Legodi to attend Public Sector Audit and Risk Indaba 2019	CIGFARO (IMFO)	Sole provider of services	18 795
13. Registration fees for Mr. T. Baloyi to attend Public Sectoir Audit and Risk Indaba 2019	CIGFARO (IMFO)	Sole provider of services	6 265
14. Replacement of coolant and thermostat	McCarthy Kunene	Sole provider of services	22 900
15. Registration of IRMSA Training for Risk Champions	The Institute of Risk Management South Africa	Sole provider of services	38 392
16. Registration fees for Mr. J. Moyo to attend Public Sectoir Audit and Risk Indaba 2019	CIGFARO (IMFO)	Sole provider of services	6 265
17. Preparation of Assets Register	I@Consulting	Regulation 32	5 217 367
18. Installation of biometric system	MWG Solutions	Regulation 32	1 770 150
19. Drilling and equipping of solar boreholes	Diges Group	Regulation 32	1 412 924
20. Debt collection services	Thobela Attorneys and LMK Consulting JV	Regulation 32	501 786
21. Fleet management services	Bidvest for fleet services	Regulation 32	1 321 078
			R10 649 731

The following non-compliances were identified

- Non-compliance with Section 62(1) (d) of MFMA since irregular and fruitless and wasteful expenditure were incurred